

ELEMENTS OF THE WOOD ALTERNATE

1) Preserves the Basic Structure of the Proposed Settlement (PSA), in that it approves

- A) Refinancing the entire company.
- B) Provides cash flows and regulatory guarantees sufficient to accomplish this unprecedented financing as quickly as possible.

Specifically, it approves:

- a commitment to achieving and maintaining investment grade credit for the utility in accordance with rating agency metrics;
- the use of headroom properly computed through year end 2003 to pay PG&E debts;
- the creation of a regulatory asset as an additional ratepayer contribution to PG&E rehabilitation;
- ratebase treatment for the regulatory asset, including an equity return;
- payment by ratepayers of 60 % of PG&E's legitimate claims (second bullet below);
- a federal court settlement that binds the Commission for the duration of regulatory asset amortization (four years).

2) It modifies the PSA in the following ways:

- reduces the size of the regulatory asset from \$2.21 billion to \$1.2 billion and shortens the amortization period (and the period of federal court supervision) from 9 years to 4 years;
- eliminates ratepayer contribution of PG&E and Corp. litigation expenses related to the bankruptcy;
- like the PD and the Peevey Alternate 2 it eliminates Paragraph 6 of the Settlement Agreement, which limited the Commission's authority with respect to PG&E dividends;
- places additional restrictions on the holding company;
- like the Peevey Alternate 2 it approves the Environmental Stipulation and augments it with the urban environmental component.